

Message Text

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PAGE 01 TEL AV 02557 021357Z

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

DRC-01 LAB-06 SIL-01 /166 W
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P R 021319Z MAY 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 2361

INFO AMEMBASSY CAIRO

AMEMBASSY ROME

C O N F I D E N T I A L TEL AVIV 2557

E.O. 11652: GDS

TAGS: ENRG, IS,EG

SUBJ: COST OF OIL FIRE AT ABU RODEIS

REF: TEL AVIV 2550, 2350, 1888, 1656

1. WITH FIRES EXTINGUISHED IN ABU RODEIS, PRODUCTION OF 7000 BARRELS PER DAY HAS RESUMED IN LARGEST OF THREE WELLS WHICH WERE AFIRE. GOI OFFICIALS HAVE REPORTED THAT REMAINING TWO WELLS, WHICH TOGETHER PRODUCED ADDITIONAL 7000 BARRELS PER DAY BEFORE FIRE, ARE EXPECTED TO BE RESTORED WITHIN COUPLE OF MONTHS. TOTAL PRODUCTION IN ABU RODEIS FIELD IS NOW RUNNING AT ABOUT 100,000 BARRELS PER DAY, WHICH REPRESENTS 60 PERCENT OF ISRAELI PETROLEUM PRODUCTS CONSUMPTION AND 50 PERCENT OF ISRAELI CRUDE IMPORTS (OTHER 50 PERCENT OF CRUDE IS IRANIAN).

2. ZVI DINSTEIN, GOI FUEL AND ENERGY CHIEF, TOLD US MAY 1 THAT TOTAL COST OF FIRE AT ABU RODEIS WOULD NOT BE AS HIGH AS FIRST THOUGHT. HE NOW ESTIMATES COST AT 15 TO 20 MILLION DOLLARS, MOST OF WHICH REPRESENTS LOSS OF OIL PRODUCTION BUT INCLUDING
CONFIDENTIAL

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PAGE 02 TEL AV 02557 021357Z

COST OF FIGHTING FIRE AND RECONSTRUCTION OF WELLS. MOREOVER,

EFFORT WILL BE MADE TO SELL SOME ITEMS OF FIRE-FIGHTING EQUIPMENT AND THUS RECOUP PART OF EXPENDITURES. DINSTEIN DENIED THAT THERE HAD BEEN ANY DISAGREEMENT WITH US FIRE-FIGHTS ABOUT CAPPING AND RESTORATION OF WELLS. (SOME MEMBERS OF FIRE-FIGHTING TEAM TOLD EMBOFFS LAST WEEK THAT THEY HAD RECOMMENDED CEMENTING OVER ENTIRE WELL-HEAD AREA AND REDRILLING TO AVOID LOSS OF PRESSURE AND POSSIBLE LOSS OF OIL FLOW, BUT ISRAELIS HAD INSISTED ON QUICKER, LESS EXPENSIVE PROCESS.(FIRE-FIGHTERS PREDICTED THAT WELL NOW PUMPING WILL STOP WITHIN FEW MONTHS. WE ARE ATTEMPTING TO OBTAIN FURTHER INFORMATION ON THIS.)

3. THERE WAS NOTHING IN DINSTEIN'S COMMENTS WHICH SUGGESTED THAT GOI MAY HAVE OPTED TO MAXIMIZE SHORT-TERM OUTPUT IN VIEW POSSIBLE EARLY RETURN OF OIL FIELDS TO EGYPT. HE DID NOTE, HOWEVER, THAT ABU RODEIS IS EXPECTED TO BE DEPLETED WITHIN TEN YEARS. DEPLETION, HE SAID, IS RUNNING AT ABOUT 8 TO 10 PERCENT PER YEAR. WHEN ASKED ABOUT ITALIAN CONNECTION, HE REPLIED THAT ENI WAS TOLD IN 1967 THAT ISRAELIS WOULD CONTINUE SAME ARRANGEMENT ENI HAD WITH EGYPTIANS, I.E., ENI WOULD BE PAID 25 TO 30 PERCENT OF PROFITS FROM ABU RODEIS PRODUCTION. ENI KEEPS TWO OBSERVERS ON SITE. (SEE TEL AVIV 1888 RE ISRAELI THINKING ON RETURN OF ABU RODEIS TO EGYPTIANS.)

4. IN CONNECTION ABU RODEIS PRODUCTION, TODAY'S PRESS REPORTS THAT 500 NETEVEI NEFT EMPLOYEES AT ABU RODEIS COMMENCED PARTIAL STRIKE ON MAY 1 TO SUPPORT DEMAND FOR INCREASED SEVERANCE PAY PROVISIONS IN ANTICIPATION OF FIELD BEING RETURNED TO EGYPT. WE HAVE NO FIRM WORD AS YET ON EXTENT TO WHICH OIL FLOW MAY BE AFFECTED.

5. RE EILAT-ASHKELON PIPELINE, DINSTEIN SAID THANKS TO HIGHER OIL PRICES AND TANKER FREIGHT RATES "CONSOLIDATED BALANCE SHEET FOR PIPELINE AND TANKER OPERATION" SHOWED NET PROFIT IN 1973 OF ABOUT 22 MILLION DOLLARS. THESE RESULTS WERE ACHIEVED DESPITE THROUGHPUT OF ONLY 23 MILLION TONS, WHICH WAS 7 MILLION LESS THAN PLANNED BECAUSE OF CLOSING OF PIPELINE DURING OCTOBER WAR (SESE TEL AVIV A-60, FEBRUARY 24, 1973).
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